From: Sent

Sauce Hitt [bruce@divestcap.com]

To:

Wednesday, Pebruary 22, 2086 11:25 Ald Gal, Eldad; Golan, Daniel

Cc:

Subject:

Charles Hale TAD.L/Stream Theory Documents

Attachments:

Limited Liability Company Operating Agreement DOC

Follow Up Flag: Flag Status;

Follow вр Flagged

Danny/Eldad:

Attached is the LLC agreement for the TAD.//Stream Theory Investment. It is a pretty standard agreement, with a couple of points you should note:

1. The Constance Sinclair referred in the document is my wife. I gave her my piece of HH LLC test summer.

2. There is a provision in the agreement for Legacy Management to take 0.2% from our piece. The purpose of this is to allow LMC to have a call on the first \$75K of income so it can pay the expenses of the investment (legal fees, etc.). The assumption is that this will come out of the interest payable on the convertible note.

3. This document assumes Oldpoint will be the investor, which may or may not be correct.

Эгисе

From: Sent: Charles Hate (charles@divestcap.com) Wednesday, February 22, 2006 2:03 PM

To: Ce: Shlomo Meighor Cal, Eldad; Bruce Hill

Follow Up Flag: Flag Status: Follow up Flagged

Shlomo – I have a legal bill for the Summit recap of \$29,068.45, and another \$50,000 loan payable to Legacy Management that got contributed into the \$500,000 investment. Clearly the Summit holding company SDI Holdings LP should pay the bill. The investment holding company, however, does not have any cash. After talking with Eldad, it seems like we should have Oldpoint or Enright, wire in funds to pay these expenses. At least the legal bill needs to be dispatched quickly.

Please advise.

Thank you.

Charlle

Charles C. Hale
DivestCap / Sage
660 Placison Avenue, Floor 21
New York, NY 18021
MicoBa: 617 818 7222
EVY Office: 212 651 9022
G-MARLES@DRESTCAP.COM

WWW.SAGECAP.COM

WWW.D:VESTCAP, COM

divesteap

From:

mor@sagecap.com

Sent: To:

Friday, February 24, 2008 7:42 PM Charles Hale, gilad@haribay.com

Co: Subject: Gal, Eldad Re: Lac

Follow Up Flag: Flag Status: Follow up Flagged

I'm calling you now to discuss this.

Sent from my BlackBerry wireless handheld.

----Original Message-----

From: "Charles Hale" <charles@divestcap.com>

Date: Fri, 24 Feb 2006 19:27:57

to:<gilad@hartbay.com>,<mor@sagecap.com>

Cc: <eldad@sagecap.com>

Subject: Fw: Lac

Fyi.

I will inform Shibata-san that I will be the representative. LAC's lack of funds for an acquisition is something I should mention. Would you advise doing so now or on the call itself?

Charlie

-----Original Message----

From: Shibata, Yoshibito <shibata.y@sakailaw.com>

To: Charles Hale <charles@divestcap.com>

Sent: Fri Feb 24 15:11:44 2006

Subject: Lac

Dear Mr. Hale,

This is Yoshi Shibata, an attorney from Sakai & Mimura. We are representing Lac Co., Etd. on the potential acquisition of a company owned by DivestCap.

I was requested to update you as the general partner of DivestCap on the status of the due diligence arrangement for the matter.

I have been teaming up the professionals in the U.S. working for Lac in regard with valuation and due diligence. As a result, Lac decided to retain Bingham McCutchen LLP as counsel for overall coordination and legal due diligence, and Bingham Strategic Advisors as valuation experts. Some adjustment is needed to fix the accounting firm.

I would like to arrange a conference call between you and Bingham at the beginning of the next week. Therefore, it would be appreciated if you could tell me the name of the DivestCap representative whom I should contact on the matter and her contact information.

Look forward to hearing from you.

Best regards,

Yoshî

Yoshihito Shibata
Attorney at law
Admitted in Japan and New York
Sakai & Mimura
9th Floor
Otemachi Tatemono Toranomon Bldg.
6-12 Toranomon 1-Chome, Minato-Ku
Tokyo 105-0001, Japan
Tel 81-3-3519-8321
Fax 81-3-3519-8322
http://www.sakailaw.com; http://www.sakailaw.com>

Yoshi

Yoshihito Shibata
Attorney at Law
Admitted in Japan and New York
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Tokyo 105-6001, Japan
Tel 81-3-3519-8321
Fax 81-3-3519-8322
http://www.sakailaw.com: http://www.sakailaw.com>

From: Sent: To: Charles Hale [charles@divestcap.com] Sunday, February 26, 2006 10:39 PM gilad@hartbay.com; Gaf, Eldad; Sagi, Mor

Co: Subject: Michelle Yi Sec numbers

Follow Up Flag: Flag Status: Follow up Flaggad

i didn't get the time I needed this weekend to get any further than rev rec for 2005. All traint billings have to be individually natably lapsed. The good news is that, with 80% of the billings tapsed, the rev growth is se good as the billings growth, which wasn't a slam dook given how lumpy our ficense sales are.

Unfortunately, there's only 1 of mo, our divesteap team is helf the size it used to be, and this smill usually take 100 hours of my time each February. I am 60 hours through it with 40 still to go but now at the point where I can start to publish meaningful gasp data (maint is the base we live on. Disa and big deals with costom terms dictate our gasp rev and chirds).

Anyway, I have to doel with a NY State Dept of I abor sudit transfrow and then go to VA for meetings.

If IRI needs data now, I can easily give them 2003 - 04 audited SSC with a schedule of additional net revs from GCI to get to proforms. Until I finish 05 nov rec, I'd realty rather not estimate opening profit or obtida other than saying it's probably "realty good".

Charlie

From: Sent:

Charles Heis [charles@divestcap.com] Tuesday, February 28, 2005 9:44 AM

To: Subject: Sagi, Mor; Gal, Eldad; Atsushi Matsumura; Eitan Zepkowitz

rbject: FW: Lac

Follow Up Flag: Flag Status: Follow up Flagged

Fyi.

Charles C. Hale Mobile: 617 818 2222 MY Office: 212 651 9623 charles@divestcap.com

----Original Message----

From: Shibata, Yoshibito [mailto:shibata.y@sakailaw.com]

Sent: Tuesday, February 28, 2006 9:39 AM

To: Charles Hale

Cc: michinori.shiraishi@lac.co.jp; 5akai Hideyuki (E-mail); shibata.y@sakailaw.com; Ishihara Yasuto (E-mail); Murayama Yukari (E-mail); Yoneda Noriko (E-mail)

Subject: RE: Lac

Dear Charlie,

We needed some additional arrangement to fix the professional team for Lac Monday. Lac decided to retain an accounting firm, and we are almost ready to start. Thank you for your waiting.

I am planning to set up an internal discussion Tuesday, and then, some of us will call you to discuss how to proceed the due diligence of Sightline.

In case, are you available Tuesday evening (around 7:30 pm, your time) or Wednesday morning (around 9 am, your time) for a conference call with us?

I would appreciate it if you could tell me your convenience.

look forward to working with you soom.

Thank you.

Best regards,

Yoshi

à

----Original Message-----

From: Charles Hale [gailto:charles@divestcap.com]

Sent: Sunday, February 26, 2806 5:34 AM

To: Shibata, Yoshihito

Subject: RE: Lac

Dear Shibata-san,

I will be the DivestCap representative working on SightLine. It will be my pleasure to work with you and LAC. With the exception of a flight Monday morning my time, I can make my schedule accommodate yours.

The Sightline team and I feel very favorably disposed to LAC. Judging from our meetings with Wishlmoto-san and our calls with the company, we see very good strategic potential and, most importantly, a wonderful cultural fit.

I will look forward to any process with you, your client, and their representatives.

Sincerely, Charlie

Charles C. Hale Mobile: 617 818 2222 MY Office: 212 651 9829 Charles@diyestcap.com

----Original Message----

From: Shibata, Yoshihito [mailto:shibata.y@sakailaw.com]

Sent: Friday, February 24, 2006 3:12 PM

To: Charles Hale Subject: Lac

Dear Mr. Hale,

2

This is Yoshi Shibata, an attorney from Sakai & Mimura. We are representing Lac Co., Ltd. on the potential acquisition of a company owned by DivestCap.

I was requested to update you as the general partner of DivestCap on the status of the due diligence arrangement for the matter.

I have been teaming up the professionals in the U.S. working for lac in regard with valuation and due diligence. As a result, Lac decided to retain Bingham McCutchen LLP as counsel for overall coordination and legal due diligence, and Bingham Strategic Advisors as valuation experts. Some adjustment is needed to fix the accounting firm.

I would like to arrange a conference call between you and Bingham at the beginning of the next week. Therefore, it would be appreciated if you could tell me the name of the DivestCap representative whom I should contact on the matter and her contact information.

Look forward to hearing from you.

Best regards,

Yoshi

我难法处于那次你讲诊会经习和不论意思状态实现和企业士和你私参传教论还愿

Yoshihito Skibata Attorney at Law Admitted in Japan and New York Sakai & Mimura 9th Floor Otemachi Tatemono Toranomon Bldg. 6-12 Toranomon 1-Chome, Minato-Ku Tokyo 105-0001, Japan Tel 81-3-3519-8321 Fax 81-3-3519-8322

http://www.sakailaw.com

取养学者要求要求要不幸中水水内中房表现在房根按水中本水业总的中水水和

From:

Charles Hale [charles@divestcap.com]

Sent: To: Thursday, March 02, 2006 1:49 AM

To: Ce: Sagi, Mor, Gilad Gal, Eldad; Michelie Yl

Attachments:

imageC02.gif

Follow Up Flag: Flag Status: Foliow up Flagged

I have gotten a batance through 12/2006. The following are the pro-forms financials.

The only non-operating expenses included are some deal costs (McKutt tood), tax, and \$100k I withdraw for LMC. This means that INCLUDED in these numbers are roughly \$500k of yearly salaries (Brose, Charlie, Michelle, Ernst that '05), and maybe up to \$100k per year in lagal or offer expenses. Bottom lines an aggressive view of operating cash flow would increase the numbers \$500k per year. Realistically, however, I estimate we overhanden the company only about \$500k because () I don't think we have material legal or offer allocated expenses (although I are obsolving — and having the auditors do so too) and (ii) we need a CEO (\$250k at plan), a Controller instead of a book keeper (±\$30k), and a Director of Development (\$110k). Agree or disagree, these are a good staff and have detailed monthlies behind them.

Please share ittem with Atsuchi & co. If you like. I am not resolved yet on what we show to LAC. I will tackle the NDA first, tomorow. Charife

NOTE: TABLE FORMAT FOLLOWS PICTURE

DRAFT	Reigni	Arina	ಸೆ ದೆರಾಟ	Forecast
	2003	2804	2005	2006
Product Bookings	2,030,197	1,736,509	926,471	1,800,500
Maintenance Bookings	2,281,828	2,720,956	3,908,4 6 3	4,375,242
Service Bookings	59,178	21,592	64,303	50,000
OCI Backings	863,571	1,841,900	2,044,226	2,419,680
Total Bookings	5,238,773	£320.528	5,943,155	8.635.242
Revenue				
Software	2,830,197	929,822	1,736,358	1,600,070
Service	80,178	21,592	84,880	-
Maintenance	1,141,567	2,939,816	3,512,177	4,997,182
GCI	856,571	1,841,900	2,044,220	2,410,000
Total Resease	4,098,912	5,742,93B	7,358,755	9,197,182
Memo: Approximate End User Hookings	5,763,781	8,229,405	10,116,451	12,450,682
Fotel Cost of Seles	14,562		744	
Hesácount Expenses	1,484,228	1,990,019	1,913,457	2,104,802
GpeEx	462,775	587,374	954,216	939,538
Operating Cash Flore	3,277,092	3,753,565	4,174,746	5,590,802

DRAFT	Actual	Actual	Actual	Forecast
	<u>2063</u>	<u>2004</u>	2005	2006
Product Bookings				•

	2,030,197	1,738,509	928,471	1,800,000
Meintenance Bookings	2,281,828	2,729,956	3,906,466	4,375,242
Service Bookings	60,178	21,592	64,000	50,000
GCI Bookings	888,571	1,841,900	2,044,220	2,410,000
Total Bookings	5,238,773	6,320,558	6,943,156	8,635,242
Revenue				
Software .	2,030,197	528,622	1,735,358	1,800,000
Service	60,178	21,592	84,000	-
Asintenance :	1,141,957	2,950,816	3, 5 12,177	4,987,182
3 C	868,571	1,841,030	2,944,220	2,410,000
Total Revenue	4,098,912	5,742,930	7,356,755	9,157,182
Memo: Approximate End User Bookings	5,268,783	8,229,496	10,116,451	12,450,652
otal Cost of Sales	14,682	•	744	
sadcount Expenses	1,484,228	1,980,019	1,913,457	2,104,802
peEx	462,771	587,374	854,216	939,638
Operating Cash Flow	3,277,092	3,753,565	4,174,740	5,593,802

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CHARLES CHARLES COM

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Page 12 of 25

divestcap

From:

Sagi, Mor

Sent: To; Cc: Thursday, March 02, 2005 9:16 AM 'Charles Hale', Sagi, Mor, 'Gilad' eldad@sagecap.com; 'Michelle Yi'

Subject:

Attachments:

image001.git

Follow Up Flag: Flag Status: Follow up Flagged

Looks good. Thanks.

When you have a minute, please call me to discuss next steps with Lac.

Mor

From: Charles Hale [mailto:charles@divestcap.com]

Sent: Thursday, March 02, 2006 1:49 AM

To: Sagi, Mor; Gilad Co: Gal, Eldad; Michelle Yi

Subject:

I have gotten a belance through 12/2005. The losewing are the proforms financials.

The only non-operating expecses included are some deal costs (McNuti fees), tex, and \$100k I withdrew for LMC. This means that INCLUDED in these somilians are roughly \$500k of yearly salarias (Brace, Charle), Michelle, Ernst thru '95), and maybe up to \$100k per year in legal or other expenses. Bottom line; an aggressive view of operating cach flow would interess the numbers \$600k per year. Realistically, however, I estimate we overburden the company only about \$800k because (0 I don't think we have material legal or other alsoculest expenses (although I are checking — and having the auditors do so tool) and (8) we need a CEO (\$250k at plan), a Controller lested of a book keeper (\$\$30k), and a Director of Development (\$110k). Agree or disagree, these are a good start and have detailed monthless behind from.

Please share them with Alsushi & co. If you like. I am not resolved yet on what we show to LAC. I will backle the NDA first, tomorphy. Charke

NOTE: TABLE FORMAT FOLLOWS PICTURE

DRAFT	#clus!	Actual	सराध्य	Forecast
	2003	ZDD4	2305	2006
Product Bookings	2,030,197	1,736,509	828,471	1,990,000
Maintenance Gookings	2,281,828	2,720,956	3,906,468	4,375,242
Savite Bookings	60,178	21,592	64,000	50,800
GCf Bookines	985,571	1,841,930	2.044,720	2,418,968
Tutal Bookings	5,239,773	6,320,958	6,943,155	8.835.2 4 2
Receiting				
Software	2,030,197	928,622	1,736,358	1,800,000
Sante	80,178	21,592	54,000	1,800,000
Maintenance	1,141,967	2,950,816	3,512,177	4,587,182
G()	\$68,571	1,841,999	2,044,220	2,419,905
Total Resease	4,098,912	5,742,930	7,356,755	9,197,182
Memo: Approximate End (liser Brokings	5,783,783	8,229,496	10,118,453	12,450,502
Total Cost of Sales	14,682		71.4	
Headcount Excercises	1,484,228	1,590,019	74.6 1.04.2.457	2421.000
OpeEx	452,771	587,374	1,913,457	2,104,802
Cheeraling Cests Flore	3.77,092	3,753,585	554,218 4,174,748	939,539 5.590,902

DRAFT	Actuat 2003	Actual 2004	Actual 2005	Forecast 2006
Product Beokings	2,030,197	1,736,509	928,471	1,900,000
Maintenance Bookings	2,281,825	2,720,956	3,906,466	4,375,242
Service Bookings .	60,178	21,532	64,000	50,000
GCI Bookings	868,571	1,841,500	2,044,220	2,410,000
Total Bookings	5,238,77 3	6,320,958	6,943,156	8,635,242
Revenue				
Softwere	2,030,197	928,622	1,738,358	1,800,000
Service	80,178	21,592	64,000	-
Maintenance	1,141,967	2,850,816	3,512,177	4,987,182
_601	866,571	1,841,900	2,044,228	2,410,000
Total Revenue	4,098,912	5,742,930	7,856,755	9,197,182
Memo: Approximate End User Bookings	5,268,783	8,229,498	10,116,451	12,490,682
Total Cost of Sales	14.682		744	•
Headcount Expenses	1,484,228	1,980,019	1,913,457	2,104,802
OpeEx	462,771	587,374	854,216	999,638
Operating Cash Flow	3,227,092	3,753,565	4,174,740	5,590,802

Charles C. Hale DivestCap / Sage 560 Nadison Avenue, Poor 21 New York, NY (602) Mobile 617 818 2222 NY 0/6cm 2/2 651 9023 CHARLE DESIGNATIONS CON-

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WWW.SAGECAP.COM WWW.DIYESTCAP.COM From: Sent: Chariss Hale [charles@divestcap.com] Thursday, March 02, 2006 1:43 PM

To:

Sagi, Mor, Gal; Eldad Michelle Yi; Vigder, Avi

Cé; Subject:

RE:

Attachments:

imaget01.gif

Follow Up Flag: Flag Status: Follow up Fiagged

PS – with the numbers falling into shape, we can now figure out the royalty rate. With whom shall I take up this topic? Obviously, it is important not only to GCI's cash but also to SSC's tax picture.

Charlie

Charles C. Hale Mobile: 617 818 2222 NY Office: 212 651 9023-CHARLES@DIVESTCAP.COM

From: Charles Hale

Sent: Thursday, March 02, 2006 1:49 AM

To: Sagt, Mor. Gilad

Cc: 'eldad@sagecap.com'; 'Michelle Yi'

Subject:

I have gotten a balance flatough 12/2005. The following are the proforma financials.

The only non-operating expenses included are some deal costs (MoNuti fees), tax, and \$100k i withdraw for EMC. This means that INCLUDED in these numbers are roughly \$500k of yearly salarise (Brocs, Charlie, Microste, Ernst thru '05), and maybe up to \$100k per year in legal or other expenses. Bottom first are aggressive view of operating cash flow would increase the humbers \$500k per year. Realistically, however, I estimate we overburden the company only about \$80k because (i) I don't think we have material legal or other allocated expenses (attrough I am operating the auditors do so too) and (ii) we need a GEO (\$260k at plan), a Controller basted of a book keeper (+\$200), and a Director of Development (\$1100). Agree or assignee, these are a good start and have detailed monthless behald them.

Please share then with Atsushi & co. If you like. I am not resolved yet on what we show to LAC. I will teckle the NCA first, formorrow. Charles

NOTE: YABLE FORMAT FOLLOWS PICTURE

DRAFT	Actual	इटांसर	Actual	Forecast
•	2002	2004	2005	2006
Product Bookings	2,030,197	1,738, 509	928,471	1,800,000
Makitananga Beakings	2,281,828	2,728,958	3,905,466	4,375,242
Service Borsángs	60,178	21,592	54,000	50,000
OCI Beoldnes	268.57 †	1,841,900	2,044,220	2,410,600
Total Beckings	5,258,775	6,320,358	6,943,156	2,635,242
Kingule			•	
Software	2,030,197	£28,5 72	1,736,358	1,800,000
Borvice	80,178	21,592	64,030	-
Maintenance .	1,141,887	2,950,516	3,512,177	4,987,192
GCI	85B.573	1,841,900	2,044,220	2,419,000
Total Revenue	4,098,952	5,742,930	7,356,755	9,197,182
Memo: Approximate End User Bookings	5,258,783	1,229,486	10,116,451	12,450,682
Total Cost of Sales	14,682		744	-
Rendenoné Expenses	1,484,228	1,980,018	1,913,457	2,184,907
Dan ^E x	482,771	587,374	854,216	939,638
Operating Cash Fine	3,227,092	3,753,585	4,174,740	5.599.892

DRAFT	Actual 2003	Actual 2004	Actual 2005	Forecast <u>2006</u>
Product Bookings	2,030,197	1,736,509	928,471	1,800,000
Maintenance Scottings	2,281,826	2,720,956	3,906,466	4,375,242
Service Bookings	60,178	21,592	64,000	50,000
GCI Bookings	866,571	1,841,900	2,044,220	2,410,000
Total Bookings	5,238,773	6,320,958	6,943,156	8,635,242
Revenue				
Software	2,830,197	928,622	1,736,358	1,800,000
Service	60,178	21,592	64,000	-
Maintenance	1,141,967	2,950,816	3,512,177	4,937,182
GCI ·	866,571	1,841,900	2,044,220	2,410,000
Total Revente	4,098,912	5,742,930	7,356,755	9,197,182
Memo: Approximate End User Bookings	5,268,783	8,225,496	10,116,451	12,450,682
Total Cost of Sales	14,682	-	7 44	-
Headcount Expenses	1,484,228	1,580,019	1,913,457	2,104,802
_OpeEx	462,771	587,374	854,215	939,638
Operating Cash Row	3,277,092	3,753,565	4,174,740	5,590,802

Charles C. Hale DivestCap / Sage 660 Madison Avenue, Floor 21 New York, NY 10021 Michiel 617 818 2223 NY Office 212 651 9023 CHEMISTON TOWNS CONTRACTOR

WWW.SAGECAP.COM MYYYM, DIVESTICAP, COM

Cardinates Printers

From: Senta

Charles Hais [charles@divestcap.com] Thursday, March 02, 2006 2:28 PM Sklomo Meichor

3p:

Cc:

Sagi, Mor, Gal, Ekład; Atsushi Matsichura; Gilad; Michelle Yi

Subject:

(i) Confidentiality Agreements (ii) SD recep

Attachments:

Untitled_3.pdf; Confidentiality Agreement DOC; Confidentiality Agreement for Glenridge.DOC

Follow Up Flag: Flag Status:

Follow up Flagged

This CA looks fine to me. Since it is Japan law, I don't think I will run it by our counsel unless you think we should.

Shlowo - will you please review and sign on behalf of GCI? Separately, it looks like the Summit legal bill was approx \$34,030 and the note that was added to the amount of the loan was \$54,840k. Therefore, \$88,870 needs to be wired into SDI Holdings LP

Bank of America 9421353366 acct # 021202162 ABA # FNBBUS33 - SWIFT 021200339 - international ABA 116 Fifth Avenue Mail Stop NY EH 811070 New York, NY 18811 United States of America

Charlie

j,

Charles C. Hale Mobile: 617 818 2222 NY Office: 212 551 9023 <u>charles@divestcap.com</u>

----Original Message----

From: Matsunaga, Lem [mailto:lem.matsunaga@bingham.com]

Sent: Wednesday, March 01, 2006 1:12 PM

To: Charles Hale

Cc: Shibata, Yoshihito; mishii@eosllp.com; Murase, Satoru; Bradley,

Jack; Hashimoto, Go; Ito, Yoshihide

Subject: LAC/Moonlight - Confidentiality Agreements

Dear Charlie:

Attached is a pdf file of the Confidentiality Agreement between LAC and Sage Capital Global, Inc. We believe Sage has signed a copy. Also attached are Confidentiality Agreements prepared on this form for each of SightLine and Glenridge Commercial. Please let us know when we can circulate copies for execution by the parties.

With respect to the Working Group List sent previously, needless to say, please insert information on Glenridge Commercial and its advisors.

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Thank you. Regards. Len

<<Untitled_3.pdf>>

> ----Original Messagg----
> From: Tiller, Carla J.
> Sent: Wednesday, March 01, 2006 1:00 P%
> To: Matsunaga, Len
> Subject: Confidentiality Agreement for
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> <<Confidentiality Agreement.DOC>> > <<Confidentiality Agreement
for Glenridge.DOC>>

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Bingham McCutchen 1LP Circular 230 Notice: To ensure compliance with IRS requirements, we inform you that any 0.5. federal tex advice contained in this communication is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding any federal tax penalties. Any legal advice expressed in this message is being delivered to you solely for your use in connection with the matters addressed herein and may not be relied upon by any other person or entity or used for any other purpose without our prior written consent.

i.. 1

divestcap

From: Sent: Charles Hale (charles@divestcap.com) Tuesday, March 07, 2006 10:36 PM

To:

Gal, Ekdad; Golan, Daniel; Sagi, Mor Vigder, Avi

Cc: Subject:

Update - Several Items Re. SightLine + Cleanidge for

Follow Up Flag: Flag Status: Follow up Flagged

Danny, Eklad, and Mor,

A few items:

DILIGENCE STATUS

We ought to discuss Jack's email (below) and the SSC + GCI deal strategy. I'd like to shrink this request list until we get affirmation on valuation and become more embedded. Do you agree with this approach? Audited financials right away, in particular, will be a rat hole. I could easily do the audited SSC with GCI bank statements and my reconcitation, but even that is a lot of data with no feedback that it is warranted. Please let me know your thoughts.

EBITDA STATUS

Separately, I sent out today a pro forma SSC + GCI EBITDA. It looks great. It has only modest adjustments(**). Please let me know if you didn't get a copy but want one.

CASH STATUS

I am now working on the final SSC and GCI cash numbers. These won't look as good. They're not had but probably show \$3.5m 2004 and \$3.7m 2005 gross SSC + GCI. Note that the \$3.7m includes adding back (i) a big prepaid I made Dec 2005, and (ii) DISA moving from advance to arrears. It does not reflect the \$500k in DMC salaries. As you know, I thought we'd see \$4m. So, where is the 200k-300k I thought SSC + GCI had? Possibilities are:

- Cash timing on year end orders (we had a monstrous \$1m+ January '96 cash performance).
- Expenses I have run through the business but haven't noticed yet (this is unlikely—the only major legal cost, I think, was a \$22k hit on Siemens)
- My imagination having rounded the business up slightly (possible but out of character) am usually too
 pessimistic)
- 4. Model errors. I still have a 50k imbalance I am working through which can make a 190k difference.

I think we will see #1, #3, and #4 are factors, in order of importance in why I'm coming up 200k lite. Still, I don't like it and will have extra-scrubbed, a full reconciled each-on-cash-to-GAAP numbers in the next day of two.

SSC - GCI SPLITS

Needless to say, if I was off by \$200,000, SSC's portion can be reduced accordingly for any overages taken since I planned on \$4m. As a practical matter, given how strong January was (\$1m added cash in Jan alone and another couple of hundred thousand in feb), any ripples there are alreedy evened out.

COMMENT ON DISA

You probably don't want this level of detail but I want you to know that the above stable cash performence is despite having almost doubled R&D for DISA (by adding 3.5 FTEs). DISA doubled tast year, so the decision is looking okey. It still might not catch big - one never knows until one has the cash, and there is always political risk - but the opportunity is \$40m NPV. The question I am wreating with is how to project it particularly given that we can't really have people interviewing the department.

WIRE TO GC!

GCI and we need to have a formal discussion on rates. I would like to keep them the same as last year, and initiate at least a \$1, fm wire to GCI that I accrued to GCI to get GCI to over \$0% of the numbers discussed above and 45% (as a product cost) of product and maintenance.

Comments and questions - please send my way. I will send a shorter email out to the whole team on status.

Charlie

(*) The only material adjustment is a correction I made to the auditors miss-classing a deal last year. They recognized a 12/04 license deal in 2004 that should go in 2005. Since I had concerns about the deal, I held it up and didn't issue keys until well into '05. At least as far as I am aware, this makes 2005 recognition non-negotiable. While this treatment would be favorable to us, it would also be right, which is most important.

Charles C. Hale Mobile: 617 818 2227 NY Office: 212 651 9023 CHANIS@BINISTCAP.COM

From: Bradley, Jack [mallfo:jack.bradley@bingham.com]

The Control of the Co

Sent: Tuesday, March 07, 2006 5:17 PM

To: Charles Hale Cc: Matsunaga, Len

Subject: RE: Pro Forma SSC QCI 20060307.xds

Charie.

ij

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Requested previously:

- Audited financials for both Sightline and Glen Ridge for 2003 and 2004
- Cash-GAAP reconcidation
- 3. Projections for 2006 and beyond

New Requests:

- 1. Copy of agreements between Sightline and Glen Ridge including the License/Royalty agreement between these two
- 2. Copy of distribution agreements
- Department of Defense contract
- 4. Change in Control agreements which will result in severance or other payments to current employees of Signifine and Glen Ridge

regards, jack

——Original Message——

From: Charles Hale [mailto:charles@divestcap.com]

Sent: Tuesday, March 07, 2006 3:25 PM

To: Bradley, Jack

Cc: Glad; eldad@sagecap.com; Michelle Yi Subject: Pro Forma SSC GCI 20050307.xls

Jack - pro forms attached.

Sest regards, Charlie

Bingham McCutchea LLP Circular 230 Notice: To ensure compliance with IRS requirements, we inform you that any U.S. federal tax advice contained in this communication is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding any federal tax panalties. Any legal advice expressed in this message is being defivered to you solely for your use in connection with the matters addressed herein and may not be relied upon by any other person or entity or used for any other purpose without our prior written consent.

From: Sent: Charles Hale [charles@divestcap.com] Tuesday, March 07, 2006 10:36 PM Gal, Eklad; Golan, Daniel; Sagi, Mor

To: Co:

Vigder, Avi

Subject:

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Charles C. Hale Mobile: 617 818 2222 NY Office: 212 651 9023 CHARLE@ONSTOAT.COM

A control of the parameter of the control of the co From: Bradley, Jack [malitorjack.bracley@bingham.com]

Sent: Tuesday, March 07, 2006 5:17 PM

To: Charles Hale Co: Matsunaga, Leo

Subject: RE: Pro Forma SSC GCI 20060307.xls

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